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SUBJECT: TURNING HCMC'S HIGH TECH DREAMS INTO REALITY

REF: HANOI 849

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¶11. (U) Summary: Despite ongoing concerns about human resources, Vietnam's ICT market, which is now among the fastest growing in the world, is beginning to create opportunities for businesses and investors alike. President Nguyen Minh Triet recently presided over the groundbreaking ceremony for what Vietnam expects will be ASEAN's biggest software park in Ho Chi Minh City's Thu Thiem district. That same week the Asian Electronics Industrial Associations met in HCMC and the International Data Group (IDG) hosted its annual Vietnam Information and Communication Technology (ICT) conference. Both noted the lure of Vietnam's rapidly growing ICT market and opportunities to invest in Vietnam, with IDG announcing a US\$ 500 million Vietnam ICT venture capital fund. End summary.

Top-level Support for ICT

¶12. (U) On July 19, the Saigon Telecommunication & Technologies Group, its Singaporean joint-venture partner TA Associates International and a group of Taiwanese investors broke ground on the new US\$ 1.2 billion Thu Thiem Software Park in Ho Chi Minh City (HCMC). When it comes into operation in 2012, the park will sprawl over 16 hectares and is expected to generate US\$ 6 billion annually and provide jobs for 50,000 software specialists -- making it the biggest in ASEAN. The ground-breaking ceremony was attended by Vietnam's President Nguyen Minh Triet and eight deputy ministers from a surprisingly wide range of government agencies, including ministries of trade and industry, planning and investment, communication and information, construction, defense and public security. The high level of representation seemed to convey the message that the Hanoi leadership is committed to developing Vietnam's ICT sector from its current low base.

Improving the Environment for High Tech Investment

¶13. (U) In percentage terms, Vietnam's ICT market is among the fastest growing markets in the world, according to the reports by various ICT industry key players speaking the July 15 "Vietnam ICT Outlook Conference" in Ho Chi Minh City. While the level of technical development is still low, Vietnam's ICT is seeing rapid improvement. A study by the World Bank in March 2008 scored Vietnam at 3.27 on the Knowledge Index, a ten-point scale based measuring innovation, education and ICT, compared to below 3.0 in 2007. Studies this year sponsored by the United Nations (E-Government Index) and the World Economic Forum (Networked Readiness Index) show improved ratings in Vietnam for

network readiness, e-readiness, e-government and copyright infringement rate.

Growing Markets and Growing Industry

¶ 4. (U) At "ICT Outlook 2008", Mr. Truong Hoai Trang, head of HCMC-based internet service provider Vietnam Data Communication Two (which controls the lion's share of southern Vietnam internet connections) said that his company's outlook is rosy, with 23 percent of Vietnamese now using the internet, a big leap from 16.9 percent early last year. The fastest growing ICT sub-sector, however, lies in the digital content industry, which boasted 55 percent growth last year alone with total revenue of US\$ 182 million. According to Mr. Nguyen Trong Duong, Deputy Chief of the ICT Section, Ministry of Information and Telecommunication, the main digital content earners are, in order of revenue generation, mobile phone content, mobile phone games, advertisement and internet content, and e-commerce. In 2007, Vietnam's 100 mobile phone content companies recorded a 59-per cent year-on-year turnover increase, at US\$ 53.6 million, while employing 6,400 employees.

¶ 5. (U) As the GVN promotes software engineering as a priority field of development, software parks are beginning to fill up and expand. According to Mr. Chu Tien Dung from the HCMC Information Technology Association, investment to build infrastructure for software parks throughout Vietnam has quadrupled in the past three years to US\$ 125 million. The number of companies in HCMC software parks is now nearly 500, a four-fold increase in the same period, and there are now five times as many companies with more than 100 employees as there were in 2005, according to Mr. Dung. In fact, at the Vietnam ICT Outlook conference, the International Data Group (IDG) also announced a new US\$ 500-million venture capital fund for Vietnam ICT sector.

Human Resources Remain an Obstacle

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¶ 6. (U) A survey by the HCMC IT Association (representing 80 ICT companies nationwide) revealed that about 80 percent of firms in the industry would like to have more say in how Vietnam educates IT professionals, including input into an updated curriculum for those studying IT. Last year, Vietnam had 390 educational institutions with IT or IT-related faculties and nearly 40,000 IT students. The country expects to enroll over 50,000 new students this year, the survey noted. While these numbers look good, ICT companies are concerned that their new recruits lack English language ability and the practical experience and skills to master new technologies.

Comment:

¶ 7. (U) Despite global economic turmoil, foreign investors in Vietnam appear undeterred. Vietnam's population of 85 million, the rapidly-expanding market and the demonstrated commercial success of mobile digital content make this a market companies want to be invested in. The surge in internet usage and the utter lack of e-commerce services offer opportunities for future investment and innovation. If high tech companies like Intel, Applied Micro Circuits Company (AMCC) and Jabil Circuits are any indication, Vietnam's growing market and improving investment environment for high tech companies will attract more U.S. interest in coming years. End comment.

¶ 8. (U) This cable was coordinated with Embassy Hanoi.
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